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School of Government
Washington, District of Columbia

GOVERNMENT CORPORATIONS

SEMINAR IN COMPTROLLERSHIP
Business Administration - 265

Prepared by

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May 8, 1953

THE UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C. 20250

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE COMMISSIONER OF THE DISTRICT OF COLUMBIA

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May 8, 1953

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GOVERNMENT CORPORATIONS

Introduction

The New Deal....does not wish to run or manage any part of the economic machine which private enterprise can run and keep running. That should be left to individuals, to corporations, to any other form of private management, with profit for those who manage well. But, when an abuse interferes with the ability of private enterprise to keep the national conveyor belt moving, government has the responsibility to eliminate that abuse.

1
Franklin D. Roosevelt

Even if the government conduct of business could give us the maximum of efficiency instead of least efficiency, it would be purchased at the cost of freedom.

2
Herbert Hoover

There exists so many opinions in the area of government corporations that from the many arguments one is stimulated to become better acquainted and find out more about their inner workings.

What is this device that can be created to help in emergencies, that can be discarded at the politician's will, and that is so avidly debated for and against?

The commercial corporation is an organization that would only be argued against by the communist. As the method to achieve the greatest results for its shareholders, it is unexcelled. It is solidly established in the western business world. Should the government perform the

-
1. The Public Papers and Addresses of Franklin D. Roosevelt (New York: Random House Inc.) 1938
 2. The Challenge to Liberty (New York: Scribner, 1934)

type functions to which the corporation lends itself so well?

It has been rather obviously noted that the general direction of our time is toward collectivism, no one can say how far it will go. To find out more about government corporations and to form some philosophy about their existence is the prime purpose of this paper.

The extent to which the Federal government is now engaged in commercial activity can well be seen by this report by the Hoover Commission.

"There are about 100 important business enterprises which the Federal Government owns, or in which it is financially interested. These concerns engage directly or indirectly in lending money, guaranteeing loans and deposits, writing life insurance, the producing, distributing, and selling of electric power and fertilizers, the operation of railroads and ships, the purchasing and selling of farm products, and the smelting and sale of metals. The Government's direct investment in these enterprises is in excess of \$20 billion, and there are further authorized commitments to supply about \$14 billion to them. In addition, the Government guarantees directly, and indirectly, about \$90 billion of deposits and mortgages and the life insurance written by Government agencies approaches \$40 billion." 3

type functions to which the corporation lends itself as

well.

It has been further pointed out that the general

direction of the law in favor of corporations, as the law

has been for a long time. The law has been made more

and more corporations and the law has been made more

effective in the same manner of this report.

The report is also the subject of discussion in the

engaged in commercial activity can well be said to be

part of the Hoover Commission.

There are about 100 important business corporations

which are the Federal Government's own, or in

which it is financially interested. These corporations

are engaged in a variety of activities in the

field, including the production, distribution,

and sale of electric power and other utilities,

the operation of railroads and other transportation

systems, and the operation of other public utilities.

The Government's direct investment in these

enterprises is in excess of \$100 billion, and

there are further substantial investments in

other areas of public utility. In addition,

the Government exercises direct, and in-

directly, control over the operation of

many of the public utilities which are

operated by private companies and which

Chapter I

FEDERAL CORPORATIONS

The origin of corporations is lost in antiquity. The word 'corporation' comes from Latin corpore "to form a body." This masterpiece of ingenuity is generally attributed to the Romans. Yet, the Greeks in 594 BC, and the Phoenicians in 900 BC are said to have used this form of organization.

An old definition is "A Corporation is an association of persons to whom the sovereign has offered a franchise to become an artificial juridicial person with a name of its own which they can act and contract, sue and be sued, and who have accepted the offer and effected the organization in substantial conformity with its terms." 4

The Federal government has no express, but an implied, power to create corporations wherever necessary or desirable to carry out any of its express powers, as banks under currency power, railroads under interstate commerce power, manufacturing company to supply army or navy armor plate. While the Federal Congress might make the exercise of such power exclusive in it, until it has done so, the States have and exercise concurrent power to create corporations for carrying on any of their purposes. Congress probably cannot create corporations for other purposes than those stated or implied in its express powers, to

4. The Encyclopedia America, Volume 8, p. 2

FEDERAL DEPARTMENT

The object of this report is to show the results of the work done by the Federal Department in the year 1900. The work has been done in the following directions: (1) to collect and publish information regarding the various industries of the country; (2) to collect and publish information regarding the various occupations of the country; (3) to collect and publish information regarding the various products of the country; (4) to collect and publish information regarding the various services of the country; (5) to collect and publish information regarding the various means of transport and communication; (6) to collect and publish information regarding the various sources of power; (7) to collect and publish information regarding the various methods of manufacturing; (8) to collect and publish information regarding the various methods of distribution; (9) to collect and publish information regarding the various methods of consumption; (10) to collect and publish information regarding the various methods of disposal of waste and refuse.

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The second of these directions is the collection and publication of information regarding the various occupations of the country. This has been done in the following manner: (1) by collecting and publishing information regarding the various occupations of the country; (2) by collecting and publishing information regarding the various products of the country; (3) by collecting and publishing information regarding the various services of the country; (4) by collecting and publishing information regarding the various means of transport and communication; (5) by collecting and publishing information regarding the various sources of power; (6) by collecting and publishing information regarding the various methods of manufacturing; (7) by collecting and publishing information regarding the various methods of distribution; (8) by collecting and publishing information regarding the various methods of consumption; (9) by collecting and publishing information regarding the various methods of disposal of waste and refuse.

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operate in the States, against their consent; although, because the National banks and the Pacific railroads incorporated by Congress do a local business, it has been argued that Congress can give such capacity, if not the legal right to do such business. Under the "commerce power", the Congress has not only incorporated railroad companies to build and operate interstate railroads, but, also a canal corporation with authority to construct a canal in a foreign country. So, in our Federal Corporations there exists little, if any, real authority for the Federal Corporations. It has been creditably argued that the Federal Corporation is an infringement upon the rights of private industry, and that the exhalation of their use has taken us a long way toward Socialism and, that, further, they are the use of political force to abolish private property and private enterprise.

The Hoover Commission report, and especially its supporting task force reports, found the Federal Corporation to have many virtues, the most outstanding being the fact that it is administratively detached, temporary, instead of permanent, and easily abolished when political sentiment is favorable to "less government in business." The clearest statement of this position is found in the task force report on Lending Agencies.

[illegible]

Some reports on leading American

Chapter II

REASONS FOR GOVERNMENT PARTICIPATION IN BUSINESS

Many new responsibilities have been placed upon the government in the past 40 years so as to require it to engage increasingly in business-type operations, so that today a substantial portion of federal activities falls within the corporate category. They all have a common objective, to accomplish some authorized governmental purpose. Profit is not the goal. These enterprises are merely means to an end. They do not differ materially in purpose from other types of governmental activity which are called "political." Government entrance into the business field has taken place for several reasons. One reason was the failure of private industry in an essential industry, this was the case with the Panama Canal and the Alaskan Railroad. National health and morals have been the primary considerations in the development of many of the water systems. Government has intervened for reasons of national defense, this was the case with the railroad, telephone, and telegraph systems during the First World War. National defense, at the moment, explains government ownership and operation of atomic-energy industry. These were not, in every sense, Corporations, but the principal of government administration of private industry is illustrated. Many of the seemingly desirable undertakings have

[illegible]

been so huge that they appeared to be beyond the capacity of even the largest private corporation.

Government has created corporations for three major purposes. The principal use to which they were put during the depression was to facilitate the extension of credit to hard-pressed banking, insurance, transportation, manufacturing and other private corporations and also to the states and subdivisions. Here, we meet such agencies as the Reconstruction Finance Corporation, the Home Owner's Loan Corporation, the production credit corporations, the Commodity Credit Corporation, and in a somewhat different sense, the Federal Deposit Insurance Corporation.

The second principal use for which the government has resorted to incorporation is to carry on activities of a commercial and business nature. The phrase includes, by way of specific example, operation of transportation system (Panama Railroad Company, Emergency Fleet Corporation, Inland Waterways Corporation) production and distribution or/and regulation of prices; (Federal Prison Industries, Inc., Cotton Stabilization Corporation); construction of public works (United States Housing Corporations, Public Work Emergency Housing Corporation; construction of dams and power plants (Tennessee Valley Authority; Extension of relief. (Federal Subsistence Homesteads Corporation, Federal Surplus Commodities Corporations, rural rehabilitation corporations); and the building of rental and low-cost housing.

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Government has entered corporations for other major
purposes. The principal one to which they were put during
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Corporation, the Reconstruction Finance Corporation, the Com-
modity Credit Corporation, and in a somewhat different
sense, the Federal Reserve's Industrial Corporation.
The second principal use for which the Government has
been called on for intervention is to carry on activities of a
commercial and business nature. The private initiative, by
way of public works, creation of transportation systems,
financial services, energy, and other things, in-
clude the National Industrial Production Act, the National
and Commercial Bank, the Federal Reserve Bank, and
other establishments (corporations); construction of public
works (United States Housing Corporation, Public Works Ad-
ministration Corporation), construction of roads and other
public (Tennessee Valley Authority; Extension of Water-
ways); Quarantine Quarantine Administration, Federal Air-
ways Corporation, Federal Communications Commission, and
other (Federal Reserve Bank, Federal Reserve Bank, and
other). And the building of roads and other public works.

Several of these examples were liquidated by 1948.

The third important use of government corporations was to deal with emergency problems that could be sharply isolated, such as procuring rubber or tin, and extending plant facilities. The production of the atomic bomb was managed by the War Department as a separate, but, incorporated project. The peace-time use of atomic energy may lead to a new series of government corporations. The government has formed corporations in an effort to conserve and more effectively utilize our natural resources, as in the case of the Tennessee Valley Authority. The government has also entered business as a competitor in order to regulate more effectively those engaged in an industry.

As has been pointed out, government ownership has steadily increased in spite of strenuous opposition. Thirty-five years ago, the Federal government owned only a fraction of the land area of the nation and none of the industrial capacity of the country. Since then, the Federal corporations have come into existence and have taken over about 40 per cent of the land area and about 20 per cent of the industrial capacity of the country.

Critics usually assert that government ownership involves an excessive amount of bureaucracy and red tape, They further alledged that because of the absense of personal risk, competitive factors, and the desire for pre-

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The third important role of government intervention is to deal with emergency problems that could be dealt with by the private sector, such as flooding, drought, and pestilence. The provision of the social safety net is another role of government intervention. The social safety net is a system of social insurance that provides a minimum level of income to those who are unable to support themselves. The social safety net is a system of social insurance that provides a minimum level of income to those who are unable to support themselves. The social safety net is a system of social insurance that provides a minimum level of income to those who are unable to support themselves.

As has been pointed out, Government ownership has
assisted in the development of various industries.
Twenty-five years ago, the Federal Government owned only
a fraction of the land area of the nation and none of the
industrial capacity of the country. Since then, the Fed-
eral Government has owned more land and industry than all
other Governments in the world. It has also built up a
great reserve of land and other resources for the future.

1. The above information was obtained from a review of the records of the Federal Bureau of Investigation, Department of Justice, and the records of the Federal Reserve Bank of New York, New York City, and the Federal Reserve Bank of Chicago, Chicago, Illinois.

fit, government-owned enterprises are lacking in incentive, imagination and initiative. Like most generalalities, however, they perhaps claim too much.

As was pointed out, the extent of government's entrance in business undertakings has been surprisingly large. The government engages in every function of American industry. A compiled list of government corporations will be shown at the end of this paper.

The Government has been very successful in its efforts to bring about a more efficient and economical administration of the country. It has succeeded in bringing about a more efficient and economical administration of the country.

Chapter III

THE CORPORATE DEVICE

It is argued that the corporate device, when faithfully followed, is superior to departmentalism in, at least, three major respects: it is potentially less subject to injurious political considerations, it is more autonomous in organization and capable of a greater degree of unity in its management (both of which are essential to efficient operation), and it has greater flexibility with regard to its financial operations and is designed to stand on its own financial-feet as a business enterprise should.

There exists much concern about the apparent diversity of form which exists among United States government corporations. Key writes: "It is thus misleading to speak of 'the' government corporation. No uniformity of powers or form is apparent; about all that government corporations have in common is the name." ⁵ Outward appearances are deceiving. While there is considerable variety in the kinds of programs administered by government corporations, nonetheless, they exhibit a high degree of uniformity as to purpose, nature of activity, and powers.

Part of the confusion undoubtedly arises from the use of the term "corporation". It might have been pre-

5. V.O. Keys, Jr. "Government Corporation", in Fritz Morstein Marx (ed) Elements of Public Administration (Printice Hall, 1946)

[illegible]

There are three main reasons why the Government should not be involved in the development of the private sector. First, the Government is not in a position to provide the necessary capital and technical assistance. Second, the Government is not in a position to provide the necessary legal and administrative framework. Third, the Government is not in a position to provide the necessary market information and research.

use of the term "repression". It should be noted that the term "repression" is used in a different sense than the term "repression" used in the context of the study of the mind.

ferable if the government organization had not borrowed its name from a private prototype. While government and private corporations in the United States do possess certain common characteristics, there are, and always have been, fundamental differences. Both have a legal personality, can sue and be sued, and generally have boards of directors. Here the resemblance ends. Private corporations, with the obvious exceptions, are organized for profit and the corporate form is utilized primarily to take advantage of limited liabilities, pooling of investments, transferability of securities. These are of no significance to the government corporation.

Government corporations are business ventures with no profit motive, but with definite objectives. They are not policy-making bodies with a broad range of discretion, as, for example, that of the political departments. The business of the Inland Waterways Corporations is barge transportation, the work of the Export-Import Bank is limited to foreign trade, the purpose of the Farm Credit Administration group is to facilitate agricultural finance, and so on. The business objective of the governmental corporations have not always been clearly defined, and wider areas of discretion have been accorded---under state incorporation and prior to the Government Corporation Control Act of 1945---than Congress would ever have sanctioned. But this difficulty

[illegible]

has now been corrected by Congressional legislation. Corporate charters hereafter will be carefully drawn so that government corporation, it is assumed, will now be utilized for the purpose for which they are justified; namely, to conduct a business enterprise which can more efficiently administer in the Corporate form than as a regular department or bureau. However, herein lies the old conflict of ideologies. Should the government enter into these business enterprises, or should they be left to the individual enterprise system?

The corporation is not primarily concerned with the establishment of objective and the formulation of broad policies, because this is done for it by Congressional charters and Congressional legislative and financial authorization. Therefore, the business-operationing character of the corporation is the part of its nature which must be emphasised, and hence, autonomy is the part of its nature which should be emphasised.

In fact, the chief virtue of the corporation is its autonomy. The right to "manage its own affairs". Autonomy means concentrating managerial powers in the hands of competent people and giving them enough free rein to achieve the desired results. It is the privilege of being left alone so long as you do not overstep the rules laid down in advance. Congress alone cannot run a business, but any number of people or the government itself

has not been subjected to constitutional legislation.
Corporate bodies, however, will be eventually placed on
such a footing of restriction, it is known, and will be
utilized for the purpose for which they were created.
Namely, to conduct a business enterprise and make
effectively available in the service of the public a
regular system of business. However, within the limits
of control of legislation. Within the framework of
the laws created and enforced, we should keep in mind
to the individual enterprise system.

The government is not directly connected with the
establishment of policies and the formulation of laws.
Rather, because this is done for it by Congress.
However, the Constitutional limitations and technical
limitations. Therefore, the business-concerning
part of the restriction is the part of the law which
must be interpreted, and which, although it is the part of
the law which should be interpreted.

In fact, the chief issue of the government is the
business. The right to "manage the own affairs", sub-
ject to the government, which is the basis
of corporate bodies and which they should have as
achieve the desired results. It is the privilege of the
law itself alone to find the way to the public and
this does it without. Certain limits must be set
down, but the power of people to the government itself

can run a successful enterprise if they pick competent administrators and provide them with sufficient freedom to organize staff, finance, and then run it as skilled administrators can when the conditions are conducive to success. Being a separate and distinct entity, headed by its own board of directors, the corporation is inherently better able to succeed than the ordinary department of government. Politics and bureaucracy come in as business standards are relaxed.

The United States, in order to use the public corporation wisely and dodge the pitfalls that accompany it, should be well aware that the form with which we are most familiar here is not the only one.

There are three principal varieties of public corporations:

"1. The mixed enterprise, in which both public and private ownership combine to form a corporate partnership.

2. The public utility trust, in which ownership is private, profits are limited by charter, and management is provided by government.

3. The government-owned corporation where both ownership and management are public."

Which of these forms takes hold in any given country seems to be largely the result of chance. One method is tried, if it works, it is repeated and so a precedent is set. Of the above, France has preferred to follow the mixed enterprise, while Britain has used the public util-

"The Administration of the Nationalized Industries in Britain". Public Administration Review, Summer, 1947

can run a successful enterprise if they have experienced
administrators and provide them with sufficient freedom
in financial matters. However, and even two or three million
dollars are not enough for the maintenance of the enterprise in
business. Being a manager and director of the enterprise
by the day of the enterprise, the enterprise is im-
possible to run to success and the enterprise is im-
possible to run to success. Policy and management are in
business and the enterprise is im-possible.

Twelve years is not the only one.

...of
... ..

3. The social welfare system, in which membership is private, benefits are limited by income, and management is provided by the state.

3. The Government-owned Corporation

While it seems better held in our own country
as well as largely the result of money. The matter is
not, it is true, so important as the problem in
the U.S.A., there has been no such thing

ity successfully, and Germany the government-owned corporation. Certainly, our traditions and historical background lies more with England, yet we have used the government-owned corporation exclusively at the national level.

The first venture into business activities for the United States came back in 1904 with the purchase of the capital stock of the Panama Railroad Company. The government took it over at the time the canal was built. The company had been operated successfully for fifty-five years by private interest. The very momentum, strong traditions and geographic location succeeded in keeping the private corporate ventures remarkably intact. It has a real board of directors, financed itself for a long while without appropriations, makes its own rules of internal management, and has remained a true business concern.

The efficiency of years past has, however, been lost. Although the railroad is rent free and tax free, and charges normal rates, it still received 20 million tax funds in the last fiscal year.

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capital stock of the Federal Railroad Company. The gov-
ernment took it over at the time the canal was built.
The company has been operating successfully for fifty-five
years of private interests. The very successful, strong
financial and geographic location especially in Washington
the private corporate business was mainly intact. It has
a total amount of dividend, dividend stock for a long
while almost uninterrupted, makes the amount of in-
crease substantial, and has received a large business con-
cern.

The efficiency of years past was, however, down
last. Although the railroad is not free and tax free,
and shares were raised, it still received 20 million
tax funds in the last fiscal year.

Chapter IV

A TYPICAL GOVERNMENT CORPORATION

It is not the purpose of this paper to look into the organization and functions of each of the government corporations, but in order to gain a better understanding, one corporation has been selected as being typical. Perhaps only a few have received anymore criticism and none has been written upon as much as the Tennessee Valley Authority.

In 1935 the Tennessee Valley Authority Act was passed by Congress. The operation of Wilson Dam, at Muscle Shoals, included, among other things, the generation of electricity for its own use and transmission and sale of the surplus in surrounding territory. A very inviting campaign was waged to induce all farmers and municipalities to form cooperatives and construct their own distribution systems. The TVA would then sell to them at wholesale prices. Private utilities began to fight the program violently, claiming among other things, that the Federal government lacked constitutional authority to dispose of surplus electricity in such a way as to threaten their business and bring them under federal regulation rather than state.

The dispute went to the Supreme Court in 1936. The Court ruled that the building of the dam, which had been

A TYPICAL GOVERNMENT CORPORATION

It is not the purpose of this report to enter into the
 organizational and financial details of the government cor-
 porations, but in order to gain a better understanding
 one corporation has been selected as being typical. The
 data here are taken from the report of the Tennessee Valley
 Authority.

In 1933 the Tennessee Valley Authority was passed
 by Congress. The operation of this law, of course
 special, technical, financial, and administrative
 electricity for the use and development and sale of
 the surplus in agricultural territory. A very important
 company was set up to develop all forms of hydroelectric
 like its form cooperative and constructive their own dis-
 tribution system. The law itself was passed in
 wholesale prices. Private utilities were to fight the
 power industry, offering them new rates, and the
 Federal Government looked constitutional authority as
 source of surplus electricity in such a way as to protect
 on their business and using their water power regula-
 tion rather than state.

The report went to the Supreme Court in 1935. The
 Court then gave the holding of the law, which had been

begun during the first World War, was a legitimate exercise of the war power, and other operations on the river were legitimate exercise of the power over interstate commerce. As for the disposal of surplus electricity, the Court pointed out that the electricity "was property of the United States constitutionally acquired, that the Constitution expressly authorized Congress to dispose of and make all needful rules and regulations respecting--- property belonging to the United States. The operations of TVA were thereby made legal. The program has been greatly expanded in the vicinity of the Tennessee River and extended to other parts of the nation as well, with the result that Congress has discovered a highly effective weapon with which to regulate private enterprise.

"TVA is headed by a three man board of directors appointed by the President of the United States. The board may exercise all the powers of the corporation and serves as the chief policy-making body. The chief administrative officer is the general manager, appointed by the board and responsible for carrying out its policies. To facilitate the integration of budgeting with general administration, the budget staff is a part of the office of the general manager and assistant general manager serves as chief budget officer.

Although TVA has the corporate form of organization and such corporate powers as the right to sue and to be

beginning during the first world war, and a legislative
order of the war power, and other questions on the 1917
were legislative questions of the power over legislative
control. As for the question of national sovereignty,
the treaty implied that the sovereignty was separate
of the United States constitutionally separate, and the
constituted executive authority, there is no question of
and with all national power and legislative power...
proposed amendments to the United States. The questions
of the treaty being made legal. The treaty has been
directly reported in the history of the American people
and referred to other parts of the nation as well, with
the result that the American people have been able to
also receive the idea in regard to national sovereignty.
The treaty is based on a basis and based on the basis of
provisions of the President of the United States. The
treaty was received with the power of the legislative and
executive as the chief policy-making body. The treaty again
restated clearly in the national history, and it is
the body of the treaty is the body of the treaty.
In 1917 the legislative of the United States (Congress)
admittedly, the subject was in a part of the treaty
of the treaty and the treaty was a part of the treaty
treaty as chief policy-making.

Although the law has been made from a legislative
and with the treaty as the basis of the treaty...

sued, it has no capital stock. TVA funds are presently received from two sources, operating proceeds, and congressional appropriations. Operating proceeds, however, may be used only for certain designated purposes.

Section 26 of the TVA Act authorizes the use of proceeds "in the operation of dams and reservoirs, in conducting its business, in generating, transmitting, and distributing electric energy, and in manufacturing, selling, and distributing fertilizer and fertilizer ingredients."⁷

The primary purpose of TVA is that of developing "orderly and proper physical, economic and social develop-⁸ment" of the area. Its first concern must be navigation and flood control, but beyond that, it is directed to produce nitrate and phosphate products for use as fertilizers in peacetime and munitions in time of war, operate electric plants for its own use and sale of the surplus soil conservation and diversification of industry. One of the non-measurable by-products is the improved recreation facilities which includes fishing, camping, swimming, and boating.

"Ranging up and down the Tennessee River there are nine dams; on its tributaries are seventeen dams, and the tributaries of the Cumberland has two. Behind each dam is a lake forming, in total, a water line longer than the salt-water boundary of the entire continental United States. Each of the main river dams has a spillway section, a navigation lock, and a powerhouse. The series

7. Kull, Donald, C. Decentralized Budget Administration in The Tennessee Valley Authority. Public Administration Review, Winter, 1949.

8. White, Lennard, D. Introduction to the Study of Public Administration. 3rd ed. McMillan. 1948

used, it has no capital stock. The funds are typically
received from the company, operating expenses, and non-
operational contributions. Operating expenses, however,
may be used only for certain authorized purposes.
Section 25 of the Tax and Corporation Act of 1939 provides
"in the operation of such and necessary, in conducting
its business, in acquiring, transmitting, and distrib-
uting electric energy, and in manufacturing, selling, and
distributing gas, water, and steam, and in other
businesses." The primary purpose of the is that of operating
"energy and other physical, economic and social develop-
ment" of the area. The first sentence must be construed
and that control, not beyond that, is intended to
produce electric and mechanical energy for use in utili-
ties in generating and transmitting to line of use, trans-
mit electric energy for use and sale of the ser-
vice with transmission and distribution of industry.
One of the non-exhaustive by-products is the improved
transportation facilities which include lighting, heating,
extending, and cooling.
"Energy and other physical, economic and social develop-
ment" in the construction of the system, and the
extension of the distribution system, and the
to a large extent, in fact, a water line system than
the self-sufficiency of the water supply system.
Under the plan of the river dam has a building
section, a navigation lock, and a powerhouse. The section

of nine dams provide a navigation channel of 9-foot minimum depth for the entire 650 mile length of the Tennessee River. Tributary dams are essentially storage dams, none has a navigation lock, but all have hydroelectric generating plants. The Authority also directs the operation of five Aluminum Company of America dams on tributaries of the Tennessee, thereby assuring more control and coordination of the vast power in this area. It maintains a network of transmission lines, a switch at each hydro or steam plant to put the power on the lines and substations throughout the power service area for taking power from the lines. The Authority also operates chemical plants for manufacturing nitrate and phosphate products.⁹"

Most controversy has centered around the sale by the Authority of surplus electric power. The Authority can sell power either at its generating plants or elsewhere. In its selection of customers, preference must be shown to cooperative associations and municipalities. All contracts with municipalities and cooperatives stipulate not only the rates to be paid TVA, but also the rates at which the energy must be resold. In the beginning, those rates were from 40 to 60 per cent lower than those previously charged by private utilities in the area. Now, most of the utilities companies have lowered their rates more in line with TVA level.

9, David E. Lillienthal, TVA, Democracy on the March (New York: Harper 2nd ed., 1944)

of nine dams provide a navigation channel 20-foot wide
long enough for the entire 150 mile length of the Ten-
nessee River. Tributary dams are especially impor-
tant, some are a navigational lock, but all have impor-
tant electric generating capacity. The authority also controls
the operation of the Alabama segment of electric dams on
tributaries of the Tennessee, which are owned, con-
trolled and operated by the state power in this area. It
maintains a system of transmission lines, a system of
water rights on these dams is not the power on the lines
and associated through the power system area for the
the power from the lines. The authority also operates
several plants for manufacturing of electric and hydroelectric
power.

That authority has operated around the state by
the authority of various electric power. The authority
can sell power at a rate as low as possible or as high
where. In its selection of customers, preference was
to those who operate manufacturing and industrial
plants and also municipalities and cooperative asso-
ciations and also the state to be sold to, and also the
state at which the energy was to be sold. In the past
also, those rates were from 20 to 30 per cent lower than
those previously charged by private utilities in the
area. Now, most of the utilities companies have lowered
their rates more in line with the level.

Supporting his H. J. Res. 184 of February 12, 1953, Representative Busby of Illinois had this to say regarding the TVA. "The Tennessee Valley Authority is another example of Government competition with private power industry. TVA has been a controversial project. The press has carried many items of the extravagance and waste of TVA. Of course, supporters of public power have sought to defend all of these...I would like to point out that in the field of hydroelectric power, publicly owned plants have increased almost six times in the past 20 years, and now represent an investment of 50 billion---more than twice that of all privately owned utilities.¹⁰"

Opposition to TVA comes chiefly from private utilities, coal, and railroad interest, local groups who feared their land would be taken and other groups adversely affected, banking and financial groups, States-rights advocates, manufactures of fertilizers, and others opposed to the principal of government ownership or Federal control.

Two criticisms have been made of the rate policies of the Authority: first, that its wholesale rates do not accurately reflect all the cost of generating power, and second, that the retail rates charged by cooperatives and municipalities, but dictated by TVA, do not reflect all proper cost. If either of these contentions is

10. H. J. Res. 184, of Feb. 12, 1953, 83rd Congress, 1st Session, Mr. Busby, Illinois.

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Commissioned by the United States Navy
to study the various types of
ships, and to determine the
best type for the Navy.
The Commission was organized
in 1897, and has since that
time been engaged in a
thorough study of the
subject.

1. The following items were received from the State of New York on 10/10/1964:

correct, the users of TVA electricity enjoy a subsidy from the taxpayers of the entire country. And, too, if either is true, TVA rates are improper measurement of what it should cost private utilities to render the same service.

The Hoover Commission paid considerable attention to the TVA but made no judgment of the rate controversy. The task force did, however, make the following observations: "(1) It noted, without confirmation or disapproval, that the General Accounting Office in 1949 had concluded that TVA had allocated to power an insufficient share of the cost of multiple-use facilities. (2) On the basis of this allocation, power revenues are well in excess of those required to repay over 50-year periods the cost of facilities allocated to power, even when construction interest is charged at 3 per cent on the unpaid debt balance. (3) TVA made payments to States and counties in lieu of taxes at rates gradually decreasing from 10 per cent to 5 per cent (beginning July 1, 1948) of gross revenues from power sales. By comparison, class A and B electric utilities paid in taxes for 1946 an average of 19 per cent of gross revenues. (4) TVA annual reports were found to be comprehensive, and to present clearly the financial condition of the authority and the results of operation." The task force noted again without comment that the General Accounting

11. Ferguson and McHenry, The American System of Government, McGraw Hill, 2nd edition, pg. 719.

concerned, the nature of the relationship which is usually
first the subject of the entire country. And, too, it
is not in fact, the paper are important elements of
what is usually called private relations to which the same
criteria.

The present discussion will necessarily be confined
to the two main areas of discussion of the two countries.
The first is the area, however, which is the subject of
regional "life is not, without doubt, confined to the
country, that the general economic system in 1950 has
included that the two countries are never as closely
linked with the rest of the world as the United States.
(2) On the basis of this discussion, there remains the
well known fact of which is not to be regarded as a 50-year
period but one of which is not to be regarded as a 50-year
when considered in detail; it is the only one that can be
the same as the others. (3) The two countries in general
and regarded in light of the fact of which is not to be
operation time is not only in 50 years but in 1950. It is not
I, 1950; of which is not only in 50 years but in 1950. It is not
fact, class A and B which is not only in 50 years but in 1950.
1950 and a review of it can be found in the volume.
(4) The same is not only in 50 years but in 1950.
not to be regarded as the same as the others of the
authorities and the review of "operation." The last type
point to the same as the others of the volume.

Office had said in 1945 of TVA accounts that they "generally were well conceived, supervised, and maintained, and the authority is to be commended as one of the foremost Government corporations in the use of accounting management, comparing quite favorably in this respect with well-managed private corporations."¹²

Regardless of all that has been written so enthusiastically in favor, and regardless of all that has been written so bitterly against, several things seem to be clear about the TVA. "Most neutral observers seem to agree that the corporation has been well run from an administrative point of view; from an engineering point of view, dams and all other structures are soundly and beautifully built, public ownership has been encouraged in the area, electric rates have been lowered generally throughout the area, low rates have greatly increased the use of electric energy, tended to stabilize population, diversify industry, and attract new capital; great strides have been made in controlling flood waters, conserving soil and improving navigation; manufacture of nitrates and phosphates has helped to lower fertilizer prices and otherwise encourage its use; and the authority has been unusually considerate in its handling of personnel and the social and cultural problems of which there are many."¹³ For these improvements, in addition to paying for the products of the authority, the Amer-

12. Revolving Funds and Business Enterprises of the Government, Government Printing Office, pp. 33-97

13. Ferguson and McHenry, The American System of Government, McGraw Hill, 2nd edition.

ican taxpayer contributed in tax funds 19 million dollars in 1948, 31 million in 1949, and more than 56 million in 1950. In making judgment of the achievements and shortcomings of the TVA, one final point that will be deined by no one, and that is that the Tennessee Valley Authority has been a political empire.

Chapter V

THE GOVERNMENT CORPORATION CONTROL ACT OF 1945

In comparison with regular government departments, Corporate Agencies have been characterized by a considerable flexibility and freedom in administration, particularly with respect to personnel and fiscal management, and by a substantial measure of independence from regular executive and legislative controls over policy. It is because of these factors that the corporations have been so well adapted to the administering of commercial and emergency services. "The status of corporations as agencies separate and distinct, administratively and financially and legally, from the government itself has facilitated their adoption of commercial methods of accounting and financing, avoidance of political controls and utilization of regular procedures of business management."¹⁴

There were considerable misgivings manifest principally in Congress as to the wisdom of so much administrative latitude. A principal contributing factor was the over-use of the corporate device. Instead of employing the corporate form only in clear-cut cases of public enterprises engaged in the conduct of financially self-supporting programs, "corporate status has been conferred on a number of activities simply because they

14. C. Herman Pritchett, The Government Corporation Control Act of 1945, "The American Political Science Review", June, 1946.

THE ECONOMIC COMMISSION (1947-1952)

In comparison with many other departments, the Economic Commission has been characterized by a consistent and flexible and freedom in administration, particularly with regard to personnel and financial management, and by a substantial degree of independence from regular executive and legislative controls over policy. It is because of these factors that the Commission has been well adapted to the administration of commercial and emergency services. The kind of cooperation in economic research and division, administratively and financially and legally, from the government itself has facilitated their adoption of commercial methods of accounting and financing, avoidance of political controls and utilization of regular procedures of business and "agencies."

There were considerable legislative controls originally in existence as in the case of the other executive agencies. A principal restriction was the control of the corporate taxes. Instead of allowing the corporate form only in cases where it was necessary to conduct in the conduct of international self-sustaining projects, "corporate status was then conferred on a number of activities which because they

were going to do some type of buying or selling, or because they were administering an urgent program, or because their administrators wanted freedom from regular government controls, and because it was easier to get the new agency set up under state incorporation laws than to secure action by Congress." ¹⁵

Congressional pessimism was vented in September of 1945 by passage of the "Control Act." With Senators Byrd and Butler at the helm, Congress was able to provide control in the following fields.

Budget of the Bureau Control--Government Corporations that were financed by other than appropriation means, were exempt from budgetary control. The regular budgetary review was put into effect for those dependent upon appropriations. The great difficulty of forecasting accurately their financial needs was always used as one of the basis of support for relief from budget bureau control.

Congressional Expenditure Control--The absence of congressional supervision and approval for expenditures of corporations not requiring appropriated funds has been one of the features of corporate administration about which Congress has tended to become most disturbed. The Control Act of 1945 adopted a uniform rule virtually eliminating exemption from appropriation control.

General Accounting Office Control--The Control Act

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that is, the "Globe" of the "Globe".

4. International relations was treated in a separate
1945 a paper of the "Journal of the American People" and
and under the title, "The American People and the World".

and it has been of service for other than purely educational purposes. The other children of the family have been similarly educated. The other children of the family have been similarly educated. The other children of the family have been similarly educated.

General Summary of the Control and Supervision of the Government of the United States

of 1945 provides for G.A.O. audit "in accordance with the principals and procedures applicable to commercial corporate transactions." ¹⁶ Audit reports on all corporations are required to be submitted by January 15 following the close of each fiscal year, and are to include: "a statement (showing intercorporation relations) of assets and liabilities, or capital and surplus, or deficit; a statement of surplus or deficit analysis, a statement of income and expenses; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial conditions of the several corporations, together with such recommendations with respect thereto as the Comptroller-General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller-General, has been carried on, or made, without the authority of law."

It should be noted that the authority given to the Comptroller-General to recommend the return of government capital or the payment of dividends by corporations

[illegible]

is a substantial new infringement of the rights of corporate management. Since Congress is likely to follow the advice of the Comptroller-General on these points, it means that decisions on matters of the greatest importance for effective corporate administration have been transferred from the control of the responsible boards of directors to an auditor without responsibility for administration results.

Treasury Control--The Treasury has taken the view that corporation funds should be deposited with the Treasurer of the United States and the Control Act adopted this principal. The Act makes the Treasurer the coordinator of all corporate determination as to time, terms, and conditions under which obligations will be issued. The Control Act also brings under Treasury Control, the sale or purchase by government corporations, on their own account, of any direct or guaranteed obligation of the United States.

Control of Mixed-Ownership Corporations--These Corporations are not required to submit a budget, but are required to submit to the regular G.A.O. commercial type audit.

Acquiring and Losing Corporate Status--The act provides methods whereby government corporations can, in effect, be stripped of their corporate status. It also disallows the further use of the States to incorporate

It is a fundamental principle of the law of the United States that the Government is not bound to disclose information in its possession or control which would be injurious to the national defense. This principle is embodied in the Espionage Laws, which make it a crime to communicate information relating to the national defense to an unauthorized person. The Government is also bound to protect the information which it receives from its sources, and to prevent its disclosure to unauthorized persons. The Government is not bound to disclose information which would be injurious to the national defense, and it is not bound to disclose information which would be injurious to the national defense.

[illegible]

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

After the further use of the latter in connection with the ship, it also

federal corporations.

The attributes of the public corporation, observed G. H. Pritchett, have been "disappearing before our eyes, like the Cheshire cat." Soon, there may be nothing left but a smile to mark the spot where the government corporation once stood." After the passage of the Government Corporation Control Act of 1945, he wrote, "The Control Act of 1945 is the latest step in ten years of retreat from the principal of corporate autonomy. It goes far toward completing the task of eliminating the features which have made government corporations useful instruments for enterprise purposes . . . the pattern of control imposed means that, for good or ill, American experience with autonomous public corporations, is substantially at an end."

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17. G. H. Pritchett, "The Government Control Act of 1945", The American Political Science Review, June, 1946

The statement of the public corporation, however,

is not correct, as it is not a statement of the

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Chapter VI

THE PRESENT TREND AND CONCLUSIONS

As pointed out by Mr. Pritchett, Congress has virtually eliminated the usefulness of the Government Corporation and now there is increasing reason to believe there will be further steps toward elimination if not total elimination of the Government Corporation.

The following Resolution was introduced in the House of Representatives on January 13, 1953, by Mr. Gwinn of New York.

Proposing an amendment to the Constitution of the United States relative to prohibiting the United States Government from engaging in business in competition with its citizens. Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States:

"Article--

"Section 1. "The Government of the United States shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution.

"Sec. 2. The Constitution or laws of any State, or the laws of the United States, shall not be subject to the terms of any foreign or domestic agreement which would abrogate this amendment.

1. The following resolution was introduced in the House of Representatives on January 13, 1937, by Mr. [Name] of [State]:

Two days an attempt to the
of the United States relative
in providing the United States
Government from engaging in business
in competition with the citizens.
The Government has taken no action
representatives of the United States
of America in Geneva assembled
two-thirds of each House comprising
therein, two-thirds of the
is proposed as an amendment to the
Constitution of the United States
which shall be valid to all intents
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1990-1991

Section 1. The Government of the United States shall not... any business, professional, commercial, financial, or industrial... volunteeers except as specified in the Constitution.

"Sec. 3. The activities of the United States Government which violate the intent and purpose of this amendment shall, within a period of three years from the date of the ratification of this amendment, be liquidated and the properties and facilities affected shall be sold."

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Joint Resolution 184 was introduced on the floor of the House by Representative Busby, February 12, 1953, and seeks "to look into Government enterprise activity. Its purpose is as follows:

"For the establishment of a commission to study Government competition with private taxpaying enterprise.

Resolved by the Senate and House of Representatives of the United States in Congress assembled,

DECLARATION OF INTENT AND POLICY

Section 1. (a) It is hereby declared to be the intent and the policy of the Congress to curtail or abolish those business activities engaged in by the Federal Government for which ample facilities are available by private taxpaying enterprise.

(b) To reduce the Federal payrolls to the extent of hundreds of millions of dollars annually by releasing scores of thousands of employees engaged in Government activities which private enterprise can readily absorb in similar employment." 19

In support of his resolution, Representative Busby made the following remarks on the floor of the House:

"Today I have introduced a joint resolution to establish a Commission to Study Government Competition With Private Taxpaying Enterprise. The enormous growth of Government

18. H.J. Res. 123, 83rd Congress, 1st Session, Jan. 13, 1953, Representative Gwinn, New York

19. H.J. 184, 83rd Congress, 1st Session, Feb. 12, 1953 Representative Busby, Illinois

[illegible]

The purpose is to follow:
and words "in 1905 into Government information activity
of the House of Representatives Report, February 14, 1957,
1940 Session 194, was introduced on the floor

[illegible]

made the following remarks on the floor of the House:

during the past 20 years, is, as we all realize, a dangerous threat to the sovereign rights of the individual States and to the personal liberty of all of us. But possibly we are not as keenly aware of the threat to privately owned enterprises in all parts of the country because of competition from the purely business activities of the Federal Government.

One example of a Federal activity which is competing with private industry is the Reconstruction Finance Corporation. The RFC reduces investment opportunities for banks, insurance companies, and other privately owned financial organizations. Congress did not intend this. When we enacted legislation establishing the Reconstruction Finance Corporation, we contemplated that it would make loans only when private lending institutions were unwilling to do so. Recent practice has been to grant RFC loans to borrowers simply because they are unable to get private money on their own terms. But, the RFC is only 1 of 40 Federal agencies which are or have been engaged in banking and credit activities.

To mention only a few: Farm Credit Administration, Farmers Home Administration, Rural Electrification Administration, Reclamation Bureau, Soil Conservation Service, Commodity Credit Corporation, Federal Farm Mortgage Corporation, Mutual Security Agency, Defense Minerals Exploration Administration, Technical Cooperation Administration, Maritime Administration, Housing and Home Finance Agency, Export-Import Bank, Federal National Mortgage Association. Other Federal agencies and corporations engaged in lending and credit activities are listed in special analysis D on page 1104 of the Budget document for 1954.

More than \$12,500,000,000 in Federal funds are invested in these lending activities, with additional commitments of more than nine billion.

Another glaring example is public housing. The first Federal Housing Act was passed in 1937, to alleviate the present and recurring unemployment, which reason no longer exists. Like all other tax-free socialistic experiments, Government housing is the same kind of unfair competition for which private business would be haled before the Federal Trade Commission and the Department of Justice for prosecution for monopoly in restraint of trade, and so forth.

There are four separate Federal housing bureaus:

First: Housing and Home Finance Agency: Employs 101 persons at salaries from \$6,400 to \$17,500, exclusive of many hundreds of secretarial and clerical staffs.

Second: Federal Housing Administration: Employs 279 persons at salaries from \$5,400 to \$15,000, exclusive of many hundreds of secretarial and clerical staffs.

Third: Public Housing Administration: Employs 92 persons at salaries from \$6,400 to \$15,000, exclusive of many hundreds of secretarial and clerical staffs.

Fourth: Office of the Housing Expediter: Employs 286 persons at salaries from \$5,400 to \$14,000, exclusive of many hundreds of secretarial and clerical staffs.

What have these four bureaus accomplished during the past 15 years which private builders and prospective homeowners could not have accomplished to alleviate the present and recurring unemployment and to remedy the serious housing shortage, which were the reasons stated for enactment of housing legislation?

I want it clearly understood that I am not singling out any particular agency nor endeavoring to pass on the degree with which various agencies are in competition with private business, but I am urging Congress to adopt my resolution in order that we will have the advantage of this Commission's survey and findings. It would operate in this field in a way similar to the study conducted by the Hoover Commission on the Reorganization of Government Agencies.

Perhaps one of the greatest threats to free competition came in 1951, when Congress was considering the Defense Production Act. The Government asked for more power to carry on business pursuits, and an amendment was proposed giving the Government power to build industrial plants for the purpose of manufacturing, producing, and processing materials necessary to the national defense and to engage in marketing, transportation, and storage of such materials. If this amendment had been enacted, it might well have crushed private industry, which could not have long withstood the competition from the Federal Government, with its enormous capital resources. As you know, Congress rejected the proposal.

It will not be easy to get the Government out of competition with private business enterprises. This was demonstrated in the recent Dollar-Steamship-Company Case. You will remember that in 1938, the Government undertook the operation of the Dollar Line and immediately changed the name to the American President Line. For the next 12 years, political appointees, with little or no experience in shipping, occupied the \$25,000-a-year job as company president. Mismanagement was so notorious that Harry Lundeborg, president of the AFL Seafarers International Union, stated publicly that---

'The American President Line is run by the Government and is like a Government agency, you get a job there, not because you are a good seaman or a good maritime executive, but because you are a good politician.'

When the company's debt to the Government had been paid, R. Stanley Dollar and his associates asked the Department of Commerce to return their property. This request was refused. The Government claimed that it owned the stock, and it offered the shipping company for sale to the highest bidder. The Dollar interests brought court action to enforce their claim to the \$68,000,000 company, and the court ordered the Government to return the stock. Secretary of Commerce Charles Sawyer refused; and United States Court of Appeals for the District of Columbia, by a unanimous decision of three judges, cited Secretary Sawyer for civil and criminal contempt. The court said:

'Here we have the spectacle of a Government which proclaims adherence to law as the governing force among men not only refusing for 6 years to submit to its own courts its claims to private property derived from purely commercial transactions, but endeavoring by every device to thwart and defeat the judgment of those courts after it has been rendered.'

The Supreme Court affirmed this decision, but even then, the Department of Commerce did not fully restore ownership of the steamship line to the Dollar Co. A settlement was later negotiated. The Dollar Line's case demonstrates the danger Senator Benjamin Harvey Hill warned us of in a speech in the Senate on March 27, 1878. Senator Hill said:

'I have said that I do not dread these (private) corporations as instruments of power to destroy this country, because there are a thousand agencies which can regulate, restrain, and control them; but, there is a corporation we may all dread. That corporation is the Federal Government. From the aggression of this corporation there can be no safety, if it is allowed to go beyond the bounds, the well-defined limits of its power. I dread nothing so much as the exercise of ungranted and doubtful powers by this Government. It is, in my opinion, the danger of dangers, to the future of this country. Let us be sure to keep it always within its limits. If this great, ambitious, ever-growing corporation becomes oppressive, who shall check it? If it becomes wayward, who shall control it? If it becomes unjust, who shall trust it? As sentinels on the country's watchtower, Senators, I beseech you, watch and guard with sleepless dread that corporation which can make all property and rights, all States and people, and all liberty and hope, its playthings in an hour and its victims forever.'

It is apparent from this statement that the dangers of Government encroachment on private business activities have long been recognized, and something should have been done about it long ago. My resolution would do something about it by creating a commission of 21 members, representing over-all manufacturing, industry, trade and commerce, transportation, banking, newspaper and magazine publishing, and other forms of graphic arts. Seven members of the Commission would be appointed by the President, seven by the President of the Senate, and seven by the Speaker of the House of Representatives. This commission would have access to all Government records; and, after making a thorough study of Government functions, which compete with private business activities, it would report to Congress on its findings and would make recommendations for getting the Government out of competition with private business.

I am recommending the creation of a special commission because the problem is so vast in its scope. Before Congress can act effectively on legislation to remedy the situation, it must have the advantage of a comprehensive report, with facts and figures in detail. The fact is that Government competition affects, in one way or another, a large percentage of the four million-odd business concerns in this country in different lines of manufacturing, commerce, banking, transportation, and the public services. To eliminate Government as a competitor would be the greatest boon Congress could bestow upon free, independent, taxpaying enterprise." 20

Since Representative Busby expounded upon the advisability of curtailing the activities of Government Corporations, it has been decided by the present Administration to allow the Reconstruction Finance Corporation to die a natural death in 1954. This decision has undoubtedly set the precedent for many other emergency Government Corporations. As their charters are brought up for renewal they will be allowed to lapse. The clothing operation of the United States Navy, although not corporated, will be discontinued in April 1953. The underlying reasons being pressures brought by American business.

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1. The Commission has received the following information from the various sources mentioned above:

The government corporations should be analyzed very critically so as to determine which are doing jobs that could not be done more efficiently by private industry. They have proved to be an expensive instrument, but one whereby tasks could be accomplished. It is hard to visualize the task of complete abandonment of the corporate device but it is claimed by advocates of that theory that "denationalization of the enterprises now federally owned and operated would reduce the national debt. It would also eliminate the losses and hidden costs of the federal corporations, reducing the cost of operating the federal government by more than one third, which would, in turn, greatly reduce taxes.

Estimating the extent of this tax reduction it is anticipated that personal income taxes could be cut to less than a \$6 billion a year total - - a 70 per cent reduction - - thus increasing personal tax exemptions from \$600 per person to \$1500 per person, and cut the rate of taxes above the \$1500 in half.

This would mean that the first \$156 per person paid in taxes could be retained by the taxpayer, and all the taxes above the present \$156 per person point would be cut in half.

Thus, by returning productive enterprise to the individual enterprise system, the conflict between government and people over the ownership and operation of

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the enterprises created by the people will end. Labor would have the increased "take-home-pay" it seeks solving much of the current labor problem. As this increased "take-home-pay" would not involve increased pay rates, it would restore the fruit of toil to those who toil, increasing the standard of living of the American people by 11 per cent." 21

This, is perhaps, a far too enthusiastic claim, but it does point the direction of thinking in this area.

The Government Corporation should, if used, be given the broadest of supervisory power, along with financial freedoms; they should use the business method of accounting, this means amendment of the Control Act. They should pay for their own audit by Auditing Management Firms. This would relieve the General Accounting Office and keep the Corporations on their own financial feet. The Government Corporations should be freed from the shackles of Civil Service Regulation and should be allowed the privilege to hire and fire. They should be able to retain their reserve funds and their annual earnings. They should pay all costs for the conduct of their commercial type operation. They should not ask nor take any privilege of any other government unit in the way of services or material.

"Theoretically, if sufficient improvements could be made among the departments in the direction of greater

21. Willis E. Stone, President. The Federal Corporations, The American Progress Foundations.

[illegible]

autonomy and flexibility, there would be little or no justification for government corporations at all. However, progress to date in this and other countries has been so slow, and the underlying theory of management and control in many cases is so foreign to flexibility and freedom, that government corporation should, if possible, point the way to needed improvements, and not be discarded because they are administratively competitive. In a democracy, as in other forms of government, the means should be adjusted to the purpose and all operations administered as efficiently as possible in order that programs democratically decided upon shall have the best assurance of success. Experimentation, not uniformity, is the spirit of democratic control. "If, as seems likely, government's concern for the economy continues to grow, an important problem will be that of retaining the best features of private enterprise in a system that has tended increasingly toward collectivism." 22

22. Marshal Dimock, The Government Corporation, A Focus of Policy and Administration, II, The American Political Science Review, December, 1949.

THE FEDERAL CORPORATIONS

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| 1. Agricultural Research Administration | 19. Defense Supplies Corporation |
| 2. Alaska Railroad | 20. Division of Power |
| 3. Alaska Rural Rehabilitation | 21. Division of Territories and Island Possessions |
| 4. Alaska Spruce Corporation | 22. Export-Import Bank |
| 5. Bureau of Agricultural and Industrial Chemistry | 23. Farm Credit Administration |
| 6. Bureau of Community Facilities | 24. Farmers Home Administration |
| 7. Bureau of Employee's Compensation | 25. Federal Airways System |
| 8. Bureau of Human Nutrition and Home Economics | 26. Federal Crop Insurance Corporation |
| 9. Bureau of Land Management | 27. Federal Deposit Insurance Corporation |
| 10. Bureau of Old Age and Survivors Insurance | 28. Federal Farm Mortgage Corporation |
| 11. Bureau of Reclamation | 29. Federal Home Loan Bank |
| 12. Bonneville Power Administration | 30. Federal Housing Administration |
| 13. Central Bank for Cooperatives | 31. Federal Intermediate Credit Banks |
| 14. Central Valley Project | 32. Federal Land Banks |
| 15. Commodity Credit Corporation | 33. Federal Loan Agency |
| 16. Corps of Engineers | 34. Federal National Mortgage Association |
| 17. Defense Homes Corporation | 35. Federal Power Commission |
| 18. Defense Plant Corporation | 36. Federal Public Housing |
| | 37. Federal Reserve Banks |
| | 38. Federal Savings and Loan Insurance Corporation |
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THE FEDERAL NOMINATIONS

1. Agricultural Research Administration	19. Defense Supplies Corporation
2. Alaska Highway	20. Division of Labor
3. Alaska Rural Settlements Section	21. Division of Fisheries and Island Possessions
4. Alaska State Government	22. Export-Import Bank
5. Bureau of Agricultural and Industrial Unemployment	23. Farm Credit Administration
6. Bureau of Commerce	24. Federal Reserve Administration
7. Bureau of Congress's Commission	25. Federal Reserve Bank
8. Bureau of Human Resources and Home Education	26. Federal Trade Commission
9. Bureau of Labor Management	27. Federal Trade Commission
10. Bureau of Life and Insurance	28. Federal Trade Commission
11. Bureau of Investigation	29. Federal Trade Commission
12. Bureau of Motor Vehicle Insurance	30. Federal Trade Commission
13. Bureau of Motor Vehicle Insurance	31. Federal Trade Commission
14. Bureau of Motor Vehicle Insurance	32. Federal Trade Commission
15. Bureau of Motor Vehicle Insurance	33. Federal Trade Commission
16. Bureau of Motor Vehicle Insurance	34. Federal Trade Commission
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18. Bureau of Motor Vehicle Insurance	36. Federal Trade Commission
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| 39. Federal Security Agency | 61. Prencinradio, Inc. |
| 40. Federal Surplus Commodities Corporation | 62. Production Credit Corporations |
| 41. Federal Works Agency | 63. Production and Marketing Administration |
| 42. Government Printing Office | 64. RFC Mortgage Company |
| 43. Home Owners Loan Corporation | 65. Railroad Retirement Board |
| 44. Housing Insurance Fund | 66. Reconstruction Finance Corporation |
| 45. Inland Waterways Corporation | 67. Regional Agricultural Credit Corporation |
| 46. Institute of Inter-America Affairs | 68. Rubber Development Corporation |
| 47. International Bank for Reconstruction | 69. Rubber Reserve Company |
| 48. International Monetary Fund | 70. Rural Electrification Administration |
| 49. Land Bank Commissioners Loans | 71. Social Security Administration |
| 50. Maritime Commission | 72. Soil Conservation Service |
| 51. Metal Reserves Company | 73. Southwestern Power Administration |
| 52. Missouri Basin Project | 74. Synthetic Liquid Fuels Program |
| 53. Mutual Mortgage Insurance | 75. Tennessee Valley Authority |
| 54. National Capitol Housing | 76. Tennessee Valley Associated Cooperatives, Inc. |
| 55. National Housing Agency | 77. U.S. Commercial Company |
| 56. National Service Life Insurance | 78. U.S. Employment Service |
| 57. Office of Indian Affairs | 79. U.S. Housing Corporation |
| 58. Office of Vocational Rehabilitation | 80. U.S. Maritime Commission |
| 59. Panama Railroad | 81. Department of the Navy |
| 60. Postal Savings System | |
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30. Federal Security Agency
 40. Federal Bureau of Investigation
 41. Federal Reserve Bank
 42. Government Printing Office
 43. Great Seal of the United States
 44. National Labor Relations Board
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